

ELUCIDATION  
TO  
BANK INDONESIA REGULATION  
NUMBER 14 / 14 / PBI / 2012  
CONCERNING  
BANK REPORT TRANSPARENCY AND PUBLICATION

I. GENERAL REVIEW

Demand for enhancement of the transparency of Bank financial condition and performance is rising in line with further development of national banking products and activities. In addition, in line with the implementation of Basel II, particularly Pillar 3 (market discipline), Bank is demanded to disclose types of risk and risk exposures as well as risk management practices adopted. These disclosures are expected to provide more transparent information to the public as well as market players to enable review of Bank's risks and efforts to mitigate these risks through risk management implementation.

One of the important pillars in the achievement of Good Corporate Governance in Indonesian banking sector is the aspect of transparency of Bank financial condition and performance to the public, through disclosure of quantitative and qualitative information. Several benefits can be achieved through this transparent information, which among others are: (i) being the basis for decision making by market players and the public; (ii) enhancement of Bank credibility and public trust in the national banking institutions; (iii) showing Bank's capability to monitor and manage risk; and (iv) reducing market uncertainty as well as asymmetric information.

Transparency in Bank's financial condition and performance constitutes one of the efforts to reduce asymmetric information so that the public and market players can make reasonable assessment and to boost the creation of market discipline. On another side, disclosure of information excessively can reduce Bank's competitive advantage. Therefore, there is a need to arrange the scope of quantitative and qualitative information that should be disclosed to the public so that inter Bank competitiveness can be maintained.

As Bank conglomeration becomes more developed, which has prompted Bank business group structure to become more complex, Bank is exposed to risks from the various activities undertaken by the parent company as well as subsidiary companies. Therefore, the public and market players need wider and more complete information

concerning Bank business group. In the case of Bank that owns a subsidiary company and/or is part of a business group, transparency of Bank's financial condition also includes the financial condition of Bank's business group in consolidated manner. This is inline with the implementation of consolidated Bank supervision that has been adopted by Bank Indonesia.

## II. ARTICLE BY ARTICLE

### Article 1

Self-explanatory.

### Article 2

Self-explanatory.

### Article 3

Self-explanatory.

### Article 4

Self-explanatory.

### Article 5

Self-explanatory.

### Article 6

#### Paragraph (1)

Bank's website is the Indonesian website domain that is not part of Bank parent company's or Bank business group's website.

#### Paragraph (2)

Self-explanatory.

#### Paragraph (3)

Self-explanatory.

### Article 7

Self-explanatory.

### Article 8

#### Paragraph (1)

Quarterly Published Financial Reports for the positions of end of March, June, and September present interim financial reports while Quarterly Published Financial Report for the position of end of December presents end-of-year financial report.

#### Paragraph (2)

Bank Indonesia's consideration in requesting Bank to announce published financial reports for periods other than those referred to in paragraph (1) or other information determined by Bank Indonesia concerns public transparency in the framework of Bank rehabilitation actions, transparency of certain products/services issued/provided by Bank, as well as merger, consolidation, and acquisition processes undertaken by Bank.

#### Article 9

##### Paragraph (1)

The signing by Bank's Directors shall be executed by clearly stating their names.

##### Paragraph (2)

Self-explanatory.

#### Article 10

##### Paragraph (1)

Announcement in a daily newspaper that has wide circulation is meant to enable the information in the financial report be known to the public.

##### Paragraph (2)

Self-explanatory.

#### Article 11

Self-explanatory.

#### Article 12

Self-explanatory.

#### Article 13

The provision in this Article is meant to provide ease and widen public access to information on Bank's financial condition.

#### Article 14

Self-explanatory.

#### Article 15

Self-explanatory.

#### Article 16

##### Paragraph (1)

The intention for Monthly Published Financial Report to be announced by Bank through Bank Indonesia by being based on the Commercial Bank Monthly Report (LBU) is sothat information received by Bank Indonesia

and by the public are inline one with the other as well as to avoid duplication in reporting by Bank considering that Bank has already submitted LBU to Bank Indonesia.

The intention for reclassifying the LBU is to facilitate market players (participants) in the assessment of financial reports and other reports from the Bank.

The LBU used as the basis for reclassification shall be consolidation of the financial reports of the Bank and all Bank offices.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Article 17

Self-explanatory.

Article 18

Paragraph (1)

Self- explanatory.

Paragraph (2)

Self- explanatory.

Paragraph (3)

Self- explanatory.

Paragraph (4)

Temporary among others means that the Control shall be released within the period of no longer than 12 (twelve) months since the financial report position in the year of acquisition of Control or temporary equity participation in the framework of debt restructuring.

Article 19

Paragraph (1)

Self explanatory.

Paragraph (1)

Letter a

Self explanatory.

Letter b

Financial Parent Company consolidated financial report is the consolidation result of the financial reports of all companies within the financial business group in accordance with accounting standards.

Letter c

Parent Company consolidated financial report is the consolidation result of all financial reports of companies within the business group in accordance with accounting standards.

Paragraph (3)

Self explanatory.

Paragraph (4)

Self explanatory.

Paragraph (5)

Self explanatory.

Article 20

Letter a

The structure of Bank business group shall be presented as follows:

- Starting with Bank, Subsidiary Companies, Affiliated Companies, Financial Parent Company, and/or Parent Company upto ultimate shareholder.
- The structure that is related to management and shareholder acting on behalf of other shareholders (shareholders acting in concert).

Shareholder that acts on behalf of other shareholders is an individual or company that has the same objective of controlling the Bank based or not based on an agreement.

Letter b

Examples of transactions with Related Parties cover:

1. cross shareholdings
2. transaction in which one business group acts for the interest of another business group;

3. management of short-term liquidity concentrated in the business group;
4. fund provision extended to or received by another company within one business group;
5. exposures to majority shareholder, which are in the forms of among others: loans, commitments and contingencies; and
6. purchases, sales, and asset leases with another company within one business group, including those undertaken with repurchase agreements.

Letter c

Examples of transactions with Related Parties that are undertaken by each company within Bank financial business group cover:

1. cross shareholdings
2. transaction in which one business group acts for the interest of another business group;
3. management of short-term liquidity concentrated in the business group;
4. fund provision extended to or received by another company within one business group;
5. exposures to majority shareholder, which are in the forms of among others: loans, commitments and contingencies; and
6. purchases, sales, and asset leases with another company within one business group, including those undertaken with repurchase agreements.

Letter d

Self explanatory.

Letter e

Self explanatory.

Article 21

Self-explanatory.

Article 22

Self-explanatory.

Article 23

Paragraph (1)

In this paragraph, in addition to Bank that is part of a business group and/or Bank that owns a Subsidiary Company, the term “Bank” also includes Bank that is not part of a business group and/or that does not own a Subsidiary Company.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Article 24

Self-explanatory.

Article 25

Paragraph (1)

Letter a

“Prime Lending Rate Report” means the report that presents calculation of prime lending rate, which among others covers cost of fund for credit, overhead cost, and profit margin determined for credit activities.

Letter b

Other Published Reports that should be submitted by Bank shall be further provided in a Bank Indonesia Circular Letter.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Article 26

Self-explanatory.

Article 27

Self-explanatory.

Article 28

The responsibilities of Bank management include the Quarterly Published Financial Report and Monthly Published Financial Report presented in Bank Indonesia’s website based on data and information submitted by Bank to Bank Indonesia.

Article 29

Foreign Bank Branch Office is not obliged to report and present the financial reports of Bank head office, Parent Company and Financial Parent Company of that foreign bank.

Article 30

Self-explanatory.

Article 31

Implementation of sanctions shall not apply in the event the Bank's information technology system is disrupted which is supported by proofs and supporting documents submitted to Bank Indonesia.

Article 32

Self-explanatory.

Article 33

Paragraph (1)

Self explanatory.

Paragraph (2)

The provision in this paragraph is intended for the sustainability of information received by the public in the framework of enhancing transparency of Indonesian banking.

Paragraph (3)

Self explanatory.

Paragraph (4)

Self explanatory.

Paragraph (5)

Self explanatory.

Article 34

Self-explanatory.

Article 35

Paragraph (1)

Self explanatory.

Paragraph (2)

Letter a

Self explanatory.

Letter b

The announcement of the name of the Bank or company can be



performed through Bank Indonesia's website.

Article 36

Self-explanatory.

Article 37

Self-explanatory.

Article 38

Self-explanatory.

Article 39

Self-explanatory.

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